

Message Text

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TO USMISSION EC BRUSSELS

INFO AMEMBASSY BONN

AMEMBASSY BRUSSELS

AMEMBASSY COPENHAGEN

AMEMBASSY DUBLIN

AMEMBASSY LONDON

AMEMBASSY LUXEMBOURG

AMEMBASSY PARIS

AMEMBASSY ROME

AMEMBASSY THE HAGUE

USMISSION OECD PARIS

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SUBJECT: ENERGY: US COAL EXPORTS TO THE EC

REF: EC BRUSSELS 3920

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1. THE FOLLOWING IS PROVIDED FOR THE MISSION'S INFORMATION AND FOR USE IN DEALING WITH QUESTIONS WHICH MIGHT BE RAISED BY EC OFFICIALS SUCH AS THOSE POSED BY DG SPAAK AS REPORTED IN REFTEL.

2. THE PRICE AND DELIVERY MATTERS REGARDING U.S. COAL MENTIONED BY MR. SPAAK REFLECT A SITUATION WHICH EXISTED WORLDWIDE IN THE COAL TRADE DURING 1973 AND WAS BY NO MEANS UNIQUE TO THE U.S.

3. TO SPUR U.S. COAL PRODUCTION, THE U.S. ADMINISTRATION ON MARCH 27, 1974 EXEMPTED THE COAL MINING INDUSTRY AND COAL MINING SERVICE FIRMS FROM PRICE AND WAGE CONTROLS. IT IS EXPECTED THAT AS A DIRECT RESULT OF THIS ACTION US BITUMINOUS COAL OUTPUT WILL INCREASE ABOUT 18 MILLION TONS BEYOND THE PREVIOUSLY ESTIMATED PRODUCTION FOR 1974. THE 1974 DELIVERY OUTLOOK OF COURSE COULD BE SIGNIFICANTLY ALTERED IF STRIKES WERE TO MATERIALIZE DURING THE YEAR. FYI: THE LATEST NATIONAL COAL ASSOCIATION ESTIMATE FOR U.S. BITUMINOUS PRODUCTION IN 1974 IS 633 MILLION SHORT TONS, 42 MILLION TONS OR 7.1 PERCENT ABOVE 1973.)

4. IN RELATED ACTIONS, THE ICC IS REVIEWING THE OUTLOOK FOR AVAILABILITY OF COAL HOPPER CARS TO DETERMINE WHETHER CHANGES IN ICC REGULATIONS ARE NEEDED TO IMPROVE UTILIZATION OF SUCH CARS.

5. THE STRONG DEMAND FOR COAL IN 1973 COINCIDED WITH U.S. PRODUCTION PROBLEMS WHICH EXACERBATED THE ALREADY STRINGENT SUPPLY SITUATION. CAUSES WERE VARIED. THERE WERE PERSISTENT LABOR PROBLEMS ASSOCIATED WITH SPORADIC UNAUTHORIZED WORK STOPPAGES, LOWER PRODUCTIVITY (ESPECIALLY IN DEEP MINES), AND UNFAVORABLE WEATHER. AT THE BEGINNING OF THE YEAR, THE NEGATIVE EFFECTS OF LOW, CONTROLLED COAL PRICES AND THE PROSPECT OF UNABATED ENFORCEMENT SCHEDULES OF ENVIRONMENTAL PROTECTION MEASURES POSED ADDITIONAL OBSTACLES TO GREATER PRODUCTION. TOWARD YEAR'S END A TEMPORARY SHORTAGE OF MINE ROOF BOLTS AND BLASTING AGENTS, SLOWED PRODUCTION, AND A SCARCITY OF AUTOMATIVE FUELS INDUCED A SERIOUS MINERS' STRIKE IN EARLY 1974.

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6. NEVERTHELESS, U.S. BITUMINOUS AND LIGNITE PRODUCTION FOR 1973 DROPPED ONLY SLIGHTLY TO 591.0 MILLION SHORT TONS FROM 596.4 MILLION SHORT TONS PRODUCED THE YEAR BEFORE.

7. THE DEMAND PRESSURE ON US SUPPLIES OF METALLURGICAL COAL GREW ESPECIALLY SEVERE DURING THE OIL CRISIS SINCE A PORTION OF THIS HIGH BTU GRADE OF BITUMINOUS IS THE BEST

SUBSTITUTE FOR HEAVY FUEL OIL IN MANY STEAM GENERATION APPLICATIONS.

8. CURRENT, ALTHOUGH AS YET INCONCLUSIVE, INDICATIONS ARE THAT 1974 MAY SHOW A DECIDED IMPROVEMENT OVER 1973, BARRING ANY INTERRUPTIONS TO PRODUCTION. THERE ARE CONTINUING REPORTS OF NEW COAL MINING INVESTMENT AND ADDITIONAL MINES COMING INTO PRODUCTION. THESE DEVELOPMENTS CAN BE EXPECTED TO IMPROVE EXPORT CAPABILITIES OF U.S. SUPPLIERS DURING THE NEAR FUTURE.

9. ADDITIONAL BACKGROUND INFORMATION IS BEING AIR POUCHED IN THE FORM OF A PREPRINT FROM THE 1972 BUREAU OF MINES MINERAL YEARBOOK "COAL-BITUMINOUS AND LIGNITE" AND THE COST OF LIVING COUNCIL NEWS RELEASE ANNOUNCING THE COAL INDUSTRY PRICE/WAGE CONTROL EXEMPTION. KISSINGER

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